

**S.E.C. RULE 15c2-12
ANNUAL REPORT
FISCAL YEAR ENDED JUNE 30, 1997**

The State of California (the "State"), acting by and through the State Treasurer's Office of the State of California, hereby provides its annual report for the fiscal year ended June 30, 1997 in connection with the following:

Bond Issue

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
San Bernardino Joint Powers Financing Authority Lease Revenue Bonds (State of California Department of Transportation Lease) 1995 Series A	12/1/95	1/4/96

The base CUSIP number for the bond listed above is 79675N - _ _ _.

Note: The base CUSIP number provided is for the convenience of Bondholders. The State Treasurer's Office is not responsible for the accuracy or completeness of such numbers.

Annual Report

The State's "annual report" (as defined in the Continuing Disclosure Agreement for the Bonds) for the fiscal year ended June 30, 1997 consists of:

1. Financial information contained in Appendix A of the Preliminary Official Statement, dated March 13, 1998, with respect to \$115,015,000 of State Public Works Board of the State of California Lease Revenue Bonds (Department of Corrections Emergency Bed Program) 1998 Series A (the "March 13, 1998 Preliminary Official Statement"), which information is incorporated herein by reference. A copy of the March 13, 1998 Preliminary Official Statement has previously been filed with each of the Nationally Recognized Municipal Securities Information Repositories and is available from any of them.
2. Information concerning Caltrans' primary programs and budget sources and the financial condition of the State Highway Account. This information is provided in the tables in Exhibit 1 attached hereto.

3. The status of construction of the Project: the building is completed and occupied. The department is making base rental payments.
4. The insurance required by Section 1.7 of the Lease Purchase Agreement relating to the Bonds is in effect.

Other Matters

This annual report is provided solely for purposes of the Continuing Disclosure Agreement. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the State of California (the "State"), the Department of Transportation (the "Department") or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists, which may have a bearing on the State's or the Department's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the State or the Department.

Dated: March 26, 1998

State of California

By L. Steven Spears
 Deputy State Treasurer

TABLE I
DEPARTMENT OF TRANSPORTATION
PRIMARY PROGRAMS AND BUDGET SOURCES
(in thousands)

Programs:	<u>1997-98</u>
Aeronautics _____	\$ 9,880
Highway Transportation _____	5,475,026
Mass Transportation _____	244,329
Transportation Planning _____	39,166
Administration _____	204,249
State Mandated Local Program _____	-
TOTAL	<u><u>\$ 5,972,650</u></u>

Sources of Funds:

General Fund _____	\$ -
Aeronautics Account _____	6,719
State Highway Account _____	2,494,668
Bicycle Lane Account _____	470
Public Transportation Account _____	114,230
Local Airport Loan Account _____	2,850
Seismic Safety Fund _____	-
Environmental Enhancement _____	10,000
Rideshare Vanpool Fund _____	50
Passenger Rail Bond Account _____	-
Petroleum Violation Account _____	-
Federal Funds _____	1,928,067
Toll Bridge Fund _____	160,282
Reimbursements _____	469,421
Special Deposit Fund _____	-
Seismic Retrofit Bond Act of 1996 _____	785,893
TOTAL	<u><u>\$ 5,972,650</u></u>

Source: Department of Transportation

DEPARTMENT OF TRANSPORTATION (2660)
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT (042)
STATEMENT OF FINANCIAL CONDITION (REVISED)
AS OF JUNE 30, 1997

ASSETS			
CASH:			
In State Treasury	\$	861	
In Agency Accounts		17,907,810	17,908,671
DEPOSITS IN SURPLUS MONEY INVESTMENT FUND:			
			883,501,000
RECEIVABLES:			
Reimbursements		644,555,460	
Revenue		27,353,234	
Others		4,055,559	
Due from Other Funds/Federal Govt.		520,189,687	
Provision for Deferred Receivables		(35,552,990)	1,160,600,950
PREPAID EXPENSES:			
Prepayments to Other Funds		1,028,664,899	
Expense Advance		626,197	
Other Prepaid Expenses		747,342	
Inventories		47,754,685	1,077,793,123
LOANS:			
Loans Receivable - Other			9,260
Total Current Assets			3,139,813,004
Total Assets:		\$	3,139,813,004
LIABILITIES, RESERVES AND FUND BALANCE			
CURRENT LIABILITIES:			
Accounts Payable	\$	1,553,177,440	
Due to Other funds/Appropriations		293,102,404	
Revenue Collected in Advance		1,080,530	
Deposits		3,461,074	
Project Deposits		112,000	1,850,933,448
RESERVES:			
Reserve for Advances		76,664,899	
Reserves - Other		47,763,946	124,428,845
FUND BALANCE - Unappropriated:			1,164,450,711
TOTAL LIABILITIES, RESERVES AND FUND BALANCE:		\$	3,139,813,004

DEPARTMENT OF TRANSPORTATION (2660)
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT (0042)
STATEMENT OF OPERATIONS
Fiscal Year Ended June 30, 1997

FUND BALANCE, JUNE 30, 1996			\$	853,080,461
ADDITIONS:				
Revenue (1)	\$	727,994,101		
Reimbursements		437,776,610		
Transfers from Other Funds		1,768,891,027		
Refunds to Reverted Appropriation		2,371,073		
Loan Repayment		<u>74,460</u>	2,937,107,271	
Prior Year Adjustments:				
Revenue	\$	613,842		
Federal Funds		0		
Reimbursements		<u>(15,691,928)</u>	<u>(15,078,086)</u>	
TOTAL ADDITIONS			\$	2,922,029,185
DEDUCTIONS:				
Appropriation Expenditures				
State Operations	\$	1,333,686,211		
Local Assistance		334,098,561		
Capital Outlay		<u>563,397,145</u>	2,231,181,917	
Reimbursement Expenditures	\$	437,776,610		
Operating Transfers Out		77,586,624		
Apportionment of Highway Prop. Rental to Counties		0		
Expenditures for Other State Departments		<u>4,804,901</u>	520,168,135	
Prior Year Adjustments:				
Appropriation Expenditures	\$	(44,379,609)		
Federal Expenditures		0		
Reimbursement Expenditures		(15,691,928)		
Apportionment of Highway Prop. Rental to Counties		<u>(899)</u>	<u>(60,072,436)</u>	
TOTAL DEDUCTIONS			\$	2,691,277,616
FUND BALANCE AS OF JUNE 30, 1997				<u><u>1,083,832,030</u></u>

DEPARTMENT OF TRANSPORTATION (2660)
STATE TRANSPORTATION FUND - STATE HIGHWAY ACCOUNT (0042)
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Fiscal Year Ended June 30, 1997

ACCOUNT TITLE	Balance As of JUNE 30, 1996	Current Fiscal Year Additions	Current Fiscal Year Deductions	Balance As of JUNE 30, 1997
Land	\$ 107,902,804.99	\$ 2,929,286.57	\$ 0.00	\$ 110,832,091.56
Building	274,905,985.24	7,516,135.82	0.00	282,422,121.06
Improvements Other Than Building				0.00
Equipment	466,377,111.54	38,330,546.61	0.00	504,707,658.15
Other				0.00
Total	\$ 849,185,901.77	\$ 48,775,969.00	\$ 0.00	\$ 897,961,870.77